

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

Preliminary Forecast Shows Continued Economic Growth!

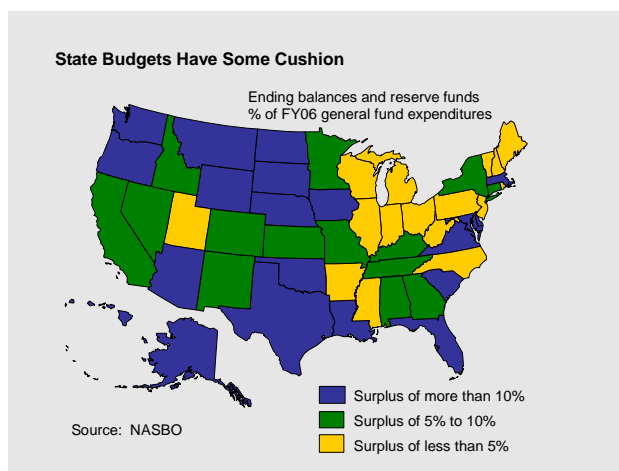
The preliminary forecast for the 2007-09 biennium, which includes a revised forecast for the current 2005-07 biennium, has recently been completed and it reflects continued economic growth for the upcoming three years. Compared to the legislative forecast, the revised forecast shows additional 2005-07 biennium revenue collections of \$258.0 million. For the 2007-09 biennium, the preliminary forecast shows additional revenue growth of \$101.1 million.

North Dakota Century Code Section 57-51.1-07.2 provides that all oil and gas tax collections in excess of \$71.0 million be deposited in the permanent oil tax trust fund. Consequently, in addition to the general fund revenue growth referred to above, deposits in the permanent oil tax trust fund during the 2005-07 and 2007-09 bienniums are anticipated to be \$180.6 million and \$177.4 million, respectively.

Because the general fund share of oil and gas tax collections is capped at \$71.0 million, the general fund revenue growth projected for the 2005-07 and 2007-09 bienniums reflects growth in tax types other than oil and gas. For example, sales and use tax collections are anticipated to grow by \$155.1 million, individual income tax collections by \$115.2 million, and corporate income tax collections by \$66.3 million.

Moody's Economy.com reports in its July 2006 Précis Macro publication that "near-term fiscal conditions are healthy for state and local governments across all regions of the country." However, the report acknowledges that "states are facing a considerable amount of spending pressure simply to keep the level of their services unchanged. Higher costs for energy products and healthcare are eroding bottom lines, and some states still need to replenish reserve funds...."

The following chart, reprinted from the Moody's Economy.com report referred to earlier, compares the estimated budget surpluses expected in the various states:



OIL ACTIVITY

Oil production in June continued well above 100,000 barrels per day. June production averaged nearly 111,500 barrels per day, up from May average production of just over 109,600 barrels per day.

Drilling permit activity continued to grow, increasing from 46 permits issued in May to 52 permits issued in June. The current rig count is 40 rigs, compared to 29 rigs operating one year ago.

The average price for North Dakota crude continues well above forecasted prices and is currently around \$64 per barrel, compared to \$63 in June and \$62 in May.



Comments or Questions?

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2005-07 BIENNIUM
July 2006

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 Leg. Forecast	Actual	Variance	Percent	March 2005 Leg. Forecast	Actual	Variance	Percent
Sales Tax	33,737,000	47,105,695	13,368,695	39.6%	398,571,000	441,803,449	43,232,449	10.8%
Motor Vehicle Excise Tax	5,334,000	5,895,409	561,409	10.5%	72,624,000	67,221,968	(5,402,032)	-7.4%
Individual Income Tax	16,569,000	36,389,491	19,820,491	119.6%	243,936,000	308,868,443	64,932,443	26.6%
Corporate Income Tax		444,642	444,642	100.0%	41,835,000	112,234,229	70,399,229	168.3%
Insurance Premium Tax		14	14	100.0%	31,444,000	25,864,676	(5,579,324)	-17.7%
Financial Institutions Tax		4,686	4,686	100.0%	2,583,000	4,177,006	1,594,006	61.7%
Oil & Gas Production Tax*	3,076,000		(3,076,000)	-100.0%	33,517,000	45,774,119	12,257,119	36.6%
Gaming Tax	300,000	636,660	336,660	112.2%	10,365,000	9,918,826	(446,174)	-4.3%
Lottery					5,000,000	6,300,000	1,300,000	26.0%
Interest Income	64,000	346,218	282,218	441.0%	5,098,000	12,752,962	7,654,962	150.2%
Oil Extraction Tax*	1,200,000		(1,200,000)	-100.0%	26,861,000	25,225,881	(1,635,119)	-6.1%
Cigarette & Tobacco Tax	1,622,000	2,013,853	391,853	24.2%	20,430,000	23,999,933	3,569,933	17.5%
Departmental Collections	956,000	1,196,569	240,569	25.2%	25,221,000	26,693,155	1,472,155	5.8%
Wholesale Liquor Tax	583,000	581,176	(1,824)	-0.3%	6,676,000	6,921,765	245,765	3.7%
Coal Conversion Tax	2,099,000	2,076,886	(22,114)	-1.1%	26,381,000	26,118,933	(262,067)	-1.0%
Mineral Leasing Fees	500,000	1,113,345	613,345	122.7%	3,575,000	8,160,238	4,585,238	128.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	175,000	175,000		0.0%	875,000	875,000		0.0%
Other Transfers		509	509	100.0%	38,450,000	38,566,916	116,916	0.3%
Total Revenues and Transfers	66,215,000	97,980,154	31,765,154	48.0%	993,442,000	1,191,477,501	198,035,501	19.9%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2005-07 BIENNIUM
July 2006

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	July 2004	July 2006	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	33,012,555	47,105,695	14,093,140	42.7%	371,955,518	441,803,449	69,847,930	18.8%
Motor Vehicle Excise Tax	5,589,302	5,895,409	306,108	5.5%	70,099,060	67,221,969	(2,877,091)	-4.1%
Individual Income Tax	16,629,252	36,389,491	19,760,239	118.8%	229,521,775	308,868,444	79,346,669	34.6%
Corporate Income Tax	46,247	444,642	398,396	861.5%	40,303,330	112,234,229	71,930,899	178.5%
Insurance Premium Tax	109,043	14	(109,029)	-100.0%	28,385,411	25,864,676	(2,520,735)	-8.9%
Financial Institutions Tax	30,253	4,686	(25,567)	-84.5%	2,676,324	4,177,006	1,500,683	56.1%
Oil & Gas Production Tax*	3,165,321		(3,165,321)	-100.0%	31,421,761	45,774,118	14,352,357	45.7%
Gaming Tax	434,679	636,660	201,982	46.5%	11,856,976	9,918,825	(1,938,151)	-16.3%
Lottery					1,431,000	6,300,000	4,869,000	340.3%
Interest Income	36,416	346,218	309,803	850.7%	2,369,404	12,752,962	10,383,558	438.2%
Oil Extraction Tax*	1,317,497		(1,317,497)	-100.0%	16,608,522	25,225,881	8,617,359	51.9%
Cigarette & Tobacco Tax	1,777,205	2,013,853	236,648	13.3%	21,552,616	23,999,934	2,447,318	11.4%
Departmental Collections	633,447	1,196,569	563,122	88.9%	83,220,994	26,693,155	(56,527,839)	-67.9%
Wholesale Liquor Tax	627,641	581,176	(46,464)	-7.4%	6,537,599	6,921,765	384,166	5.9%
Coal Conversion Tax	1,561,467	2,076,886	515,419	33.0%	25,994,283	26,118,933	124,650	0.5%
Mineral Leasing Fees	524,873	1,113,345	588,472	112.1%	3,910,196	8,160,238	4,250,042	108.7%
Bank of North Dakota-Transfer					30,000,000		(30,000,000)	-100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	175,000	475	0.3%	872,625	875,000	2,375	0.3%
Other Transfers		509	509	100.0%	43,104,215	38,566,916	(4,537,298)	-10.5%
Total Revenues and Transfers	65,669,721	97,980,154	32,310,433	49.2%	1,021,821,608	1,191,477,500	169,655,892	16.6%

Revenue Variances

Overall revenue collections for the month of July exceeded the legislative forecast by \$31.8 million, bringing biennium to date collections to \$1.191 billion; \$198.0 million, or 19.9 percent, more than estimated. Notable variances are as follows:

Sales tax collections exceeded the monthly forecast by \$13.4 million, or 39.6 percent. Biennium to date collections exceed projections by \$43.2 million, or 10.8 percent. Biennium to date collections exceed the previous biennium by 18.8 percent.

Motor vehicle excise tax collections exceeded the legislative forecast for the first time since September 2005. July collections exceeded the forecast by over \$560,000, or 10.5 percent.

Individual income tax collections exceeded the monthly projection by \$19.8 million, or 119.6 percent. The biennium to date variance is 26.6 percent.

Oil and gas collections for the month were \$12.1 million compared to the legislative forecast of \$4.3 million. However, oil and gas taxes for the month are shown as \$0, resulting in a negative variance.

This is a result of North Dakota Century Code Section 57-51.1-07.2, which provides that all oil tax collections in excess of \$71.0 million be deposited in the permanent oil tax trust fund, rather than the general fund. The general fund cap was reached during March and all March collections received after reaching the \$71.0 million cap, and all remaining collections during the 2005-07 biennium will be revenue for the permanent oil tax trust fund, rather than the general fund.

The legislative forecast assumed a much lower oil price and production level than we have experienced, which would have resulted in the \$71.0 million cap being reached in November 2006. Consequently, negative monthly variances will appear each month through November 2006, even though total oil tax collections for the state far exceed the forecast. Through July, \$50.6 million of oil tax collections have been deposited in the permanent oil tax trust fund.

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